LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7190
BILL NUMBER: HB 1320

NOTE PREPARED: Jan 30, 2004
BILL AMENDED: Jan 29, 2004

SUBJECT: Medicaid Provisions.

FIRST AUTHOR: Rep. Hasler
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues	(6,200,000)	100,800,000	100,800,000
State Expenditures		85,600,000	85,600,000
Net Increase (Decrease)	(6,200,000)	15,200,000	15,200,000

Summary of Legislation: (Amended) *Hospital Care for the Indigent Program Provisions:* This bill authorizes the Office of Medicaid Policy and Planning to implement alternative payment methodologies for payable claim payments to a hospital if the Office determines that the federal Centers for Medicare and Medicaid Services will not approve the submitted payment methodology.

Disproportionate Share Hospital (DSH) Provisions: The bill amends DSH payment provisions for community mental health center disproportionate share providers.

Prescription Drug Program Provisions: The bill removes a provision prohibiting the Prescription Drug Advisory Committee from recommending the use of funds from the prescription drug account for a state prescription drug benefit if a federal statute or program provides a similar benefit. The bill extends the existence of the Prescription Drug Advisory Committee until December 31, 2006.

Extension of Nursing Facility Quality Assessment: The bill also extends the expiration of the Nursing Facility Quality Assessment from August 1, 2004, to August 1, 2006. It makes a technical correction.

Effective Date: (Amended) July 1, 2003 (Retroactive); July 1, 2004.

Explanation of State Expenditures: (Revised) *Hospital Care for the Indigent Program (HCI)Provisions:* This bill contains a provision that would allow the Office of Medicaid Policy and Planning (OMPP) to amend the State Medicaid Plan in order to implement payments to hospitals under the HCI program in the event that the federal Centers for Medicare and Medicaid Services (CMS) will not approve the payment plan authorized by P.L. 255-2003. The bill specifies that any payment methodology implemented by OMPP under this provision must approximate as closely as possible the amount of reimbursement that each hospital would have received under the provisions of P.L.255-2003. This provision would allow the state to continue to attempt to maximize federal reimbursements under the Medicaid program using the county levy for the HCI program in the event that CMS would not approve the authorized version.

Prescription Drug Program Provisions: This provision would extend the expiration date for the Prescription Drug Advisory Committee by one year, to December 31, 2006. (The Committee's statutory authority expires on December 30, 2005, under current statute.) The Committee consists of 11 members appointed by the Governor and 4 nonvoting legislative members. Expenses incurred by the nonlegislative members of the Committee are to be paid from the Indiana Prescription Drug Account, funds for which are appropriated from the Tobacco Master Settlement Agreement Fund. Expenses of the 4 legislative members are to be paid from funds appropriated to the Legislative Council from the state General Fund. Committee expenses are estimated to fall within the amount allocated for legislative interim study committees of $9,000 annually.

The bill removes an existing provision that prohibits the Committee from recommending the use of funds from the Prescription Drug Account if there is a federal statute or program, other than a Medicaid waiver, that provides a similar benefit for low-income senior citizens. The Committee is required to make program design recommendations to coordinate the Indiana Prescription Drug Program (HoosierRx) with existing pharmaceutical benefit programs. The Committee is to submit its recommended program design to the Governor and the Office of the Secretary of the Family and Social Services Administration before September 1, 2004.

The fiscal impact of this provision will ultimately be dependent upon the program design recommendations made by the Committee and subsequent administrative actions. The Indiana Prescription Drug Program is funded from the Indiana Tobacco Master Settlement Agreement Fund.

Extension of the Nursing Facility Quality Assessment: This bill will extend the authority of OMPP to implement the nursing facility quality assessment fee through August 1, 2006, an extension of 2 years. OMPP has submitted the state plan amendments and all associated applications to implement the quality assessment. However, the federal Centers for Medicare and Medicaid Services (CMS) has not approved any state applications to assess broad-based quality assessment fees at this time.

The nursing facility quality assessment will require an increase in total state expenditures for nursing facilities. (See *Explanation of State Revenues*.) In addition, if the Department of Health implements certification of the Indiana Veterans' Home as a Medicaid provider, it is possible that the Veterans' Home would be required to pay the quality assessment as well. Initial estimates for Medicaid certification indicated that about one-third of the residents at the Veterans' Home might qualify for Medicaid benefits. The amount of the assessment as well as the associated reimbursement would be contingent upon implementation of the Medicaid certification.

Explanation of State Revenues: (Revised) *Extension of the Nursing Facility Quality Assessment:* This bill will extend the authority of OMPP to implement the nursing facility quality assessment fee through the end

of FY 2006. The total quality assessment is estimated to generate $107 M annually. By current statute, 80% (or $85.6 M) will be used for additional annual expenditures for nursing facility reimbursement, and 20% (or $21.4) will be available to the state to match federal Medicaid funds for purposes determined by OMPP.

Background on the Nursing Facility Quality Assessment: Current statute requires OMPP to submit a state plan amendment and requests for waivers necessary to implement a nursing facility quality assessment to CMS. A state is allowed to assess a health care-related tax so long as the assessment is broad-based and uniformly imposed throughout a jurisdiction or provider group. The fee is to be based on a nursing facility's total annual revenue less any Medicare revenue received, and statute specifies that the quality assessment may not be passed through to the facility's residents. Quality assessments are to be collected from nursing facilities with a Medicaid utilization rate of at least 25% and at least $700,000 in annual Medicaid revenue. Statute further specifies that the money collected from the quality assessment may be used only to pay the state's share of Medicaid program costs.

Eighty percent of the fee revenue is to be used for nursing facility reimbursement, and the expenditure of the remaining 20% may be determined by OMPP. The quality assessment may only be collected if federal financial participation is available to match enhanced reimbursement for nursing facilities. The total quality assessment is estimated to generate $107 M annually: 80% of the quality assessment, or $85.6 M, will be used for additional annual expenditures for nursing facility reimbursement; $21.4 M is the estimated amount that will be available to the state to match federal funds that would otherwise be subject to reductions that have not been determined at this time.

OMPP has submitted the state plan amendments and all associated applications to implement the quality assessment. However, CMS has not approved any state applications to assess broad-based quality assessment fees at this time.

Disproportionate Hospital Share (DSH) Provisions: The bill requires a reduction of $10 M in DSH payments currently made to the state-operated mental health institutions in order to provide DSH payments to 10 freestanding Community Mental Health Centers. OMPP reports that the fiscal impact of this provision would be no more than the federal share of the $10 M DSH payment, or $6.2 M. This would represent a reduction of revenue to the General Fund since the federal portion of the DSH payment to the state-operated facilities ultimately is returned to the General Fund from the Mental Health Fund at the end of the state fiscal year.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Disproportionate Hospital Share (DSH) Provisions:* The bill would require that the 10 freestanding Community Mental Health Centers (CMHC's) specified would be required to certify, within certain limits, that payments made from applicable county tax levies or from other county sources are eligible expenditures for federal financial participation. The certified amount may then be used to represent the state's share of the Medicaid DSH payment. The freestanding CMHC's are estimated to be eligible to receive up to $6.2 M in federal DSH funds depending upon the amounts the centers are able to certify as qualifying expenditures.

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning, Division of Mental Health and Addiction, the HoosierRx Program, and potentially the Indiana Veterans' Home.

Local Agencies Affected: Community Mental Health Centers.

Information Sources: Melanie Bella, Assistant Secretary, Office of Medicaid Policy and Planning, 317-233-4455.

Fiscal Analyst: Kathy Norris, 317-234-1360.